



June 27, 2019

Julie Dougherty
Department of Human Services
Director's Office, 5th Floor
Hoover State Office Building
1305 E. Walnut Street
Des Moines, IA 50319
jdoughe@dhs.state.ia.us

RE: Public Comments on SFY 2021 Department of Human Services Budget Recommendations

Dear Ms. Dougherty:

On behalf of Iowa's 118 community hospitals, the Iowa Hospital Association (IHA) submits the following public comments regarding the Department's state fiscal year 2021 budget recommendations. IHA appreciates the opportunity to highlight key areas of focus in which we look to work cooperatively with the Department to improve health care access and efficiencies in the Medicaid program.

Critical Access Hospital Cost Adjustment Factor

Hospitals have a positive economic impact on the communities where they are located and across the state. Hospitals not only provide jobs, they create jobs by purchasing goods and services from other businesses. And hospitals are essential to local and statewide economic development - companies that want to relocate or expand demand access to comprehensive, high-quality health care services. According to a study by IHA, Iowa hospitals provide more than 72,000 jobs that pay more than \$4.5 billion in salaries and benefits.

Unfortunately, though, in 2019, Navigant issued a report on the financial sustainability of Iowa's hospitals. The company identified that 17 hospitals (or about 18% of rural hospitals) were at a high financial risk of closing. This report reviewed three key indicators for determining this risk, including the last three years of unaudited data on the hospital's operating margin, their days cash on hand, and their debt to capitalization ratio. Most of these hospitals are critical access hospitals in rural communities.

Part of this change in financial status impacting the critical access hospitals was the immediately elimination of cost-based reimbursement under Medicaid managed care. This resulted in an immediate loss of between \$4.5 and \$8 million to these 82 hospitals. At the same time, several of these hospitals have seen an increase in the percentage of Medicaid beneficiaries.

We applaud the inclusion of the critical access cost adjustment factor within the SFY2020 budget to provide some assistance to Iowa's critical access hospitals who provide front-line emergency care and other vital health care services to Iowans in rural communities.

We look forward to collaborating with the Department to wisely implement the state and federal health care dollars dedicated to assisting our critical access hospitals and the Medicaid members that rely on them. In developing budgetary recommendations, IHA urges the Council to ensure this fund continues to help offset the costs of providing care in our rural communities and that it looks to ways this funding might eventually be tied to inflationary adjustments to ensure Iowa's critical access hospitals do not continue to fall behind. Ensuring funding for rural communities can help stem the tide for closures and losses of high cost -- but vital services -- such as obstetrics and mental health care throughout the state.

Mental Health Funding

Accessible and appropriate mental health care is needed throughout the state. Hospitals see this every day when patients in need of behavioral health services arrive in the emergency room as a last resort, and only hope for treatment. Patients present in the emergency rooms of critical access hospitals and wait for hours to be placed in psychiatric beds. When placement occurs, it is often in a community located across the state and far from home. Patients receiving care in inpatient psychiatric units may wait for months to obtain placement in a more appropriate setting or to receive adequate community-based resources to help them transition home. These bottlenecks experienced by patients and hospitals cannot be ignored.

The need is great across all sectors- in both urban and rural communities, for children, adults, and families; and for individuals with complex comorbidities, significant behavioral health histories, and additional high needs. Iowa's hospitals appreciate the work done to establish frameworks for the adult mental health system in 2018 and a children's mental system in 2019, but there needs to be a priority on locating a sustainable funding system that ensures equitable care to Iowans across the state.

Any budget contemplated by the Council should carefully consider and provide adequate funding for building out these system frameworks and services while also maintaining funding for other existing behavioral health services.

Examine Methods for Discharge and Placement for Difficult-to-Place Patients

Hospital inpatient psychiatric units are not designed to provide long-term services for patients in need of behavioral health care. However, because of a lack of alternative care settings hospitals must keep patients who cannot be safely discharged to their homes admitted for days, weeks, months or even years, even when the patient no longer meets inpatient criteria. Similarly, patients with complex and intensive home-care, long-term facility care or elderly patients with previous sex-offender registry status cannot find an appropriate facility or the necessary care team to enable a safe discharge from a hospital setting. This means that beds that should be used for other patients in need are being occupied by patients who no longer need inpatient care but have nowhere else to go. Under current Medicaid reimbursement policy, hospitals are not reimbursed for care that is provided beyond a certain timeframe without medical necessity for that level of care. The Council should consider budgetary factors to enable incentives for hospitals, post-acute providers, and the managed care organizations to work together to ensure individuals are discharged to the appropriate level of care and that transitional, custodial care provided at a hospital is reimbursed during this process.

Avoid Any Further Cost-Containment Cuts to Hospitals

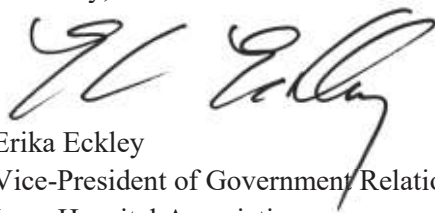
Currently, more than 60 percent of hospital revenue is derived from government health insurance payments through Medicaid and Medicare. These publicly funded programs are critical health insurance programs for some of the state's most vulnerable citizens, but payment rates fall far short of covering the actual cost of care and do not keep up with rates of inflation.

IHA asks this Council to consider the financial pressures all Iowa hospitals are experiencing and ensure their continued viability. Medicaid budgeting and policies need to be developed and implemented in a way that encourages providers to remain in the program and accurately reimburses for services provided to beneficiaries and to avoid implementing any additional cost-containment strategies directly impacting providers. In 2017, cost containment strategies were implemented that resulted in cuts amounting to approximately \$38 million in state funding translating into more than \$98 million in actual reductions to the state's Medicaid program in one year alone. Hospitals to continue to feel the impact of these cuts, which impacts their ability to provide the full array of services that are currently available to Iowa's most-at-risk citizens who rely on Medicaid for their health insurance coverage.

IHA urges the Department and this Council to restore previous "cost containment" strategies, such as retroactive eligibility, where possible, but more importantly to avoid future cuts to the Medicaid program impacting Iowa's community hospitals, many of which are already in compromised financial positions that threaten access to health care services across the state. We all are working to ensure Iowa maintains a high quality, low cost state for health care. Working together, we can achieve this goal.

On behalf of Iowa's community hospitals, thank you for the supporting Iowa's high-quality health care system and for your consideration of these comments. Please contact me with any questions or for more information.

Sincerely,

A handwritten signature in black ink, appearing to read "Erika Eckley", written over a horizontal line.

Erika Eckley
Vice-President of Government Relations, Assistant General Counsel
Iowa Hospital Association